Testimony of Jeremiah Schuur, M.D.
Before the Human Services Committee
Re: SB 6693 "An Act Concerning Creation of a State Health Care Plan"
March 7, 2006

As a practicing emergency physician I treat patients every day who lack employer-based coverage or have slipped through the safety net of state-provided health insurance. Last week, I saw a middle aged man with a heart attack. His story is instructive. He knew that he had high blood pressure and a family history of heart disease and he had been treated for high blood pressure for several years. Unfortunately, he lost his job several months prior, took a job at a restaurant without health benefits, could not afford to COBRA his insurance and became uninsured. His primary care doctor would no longer make an appointment without pre-payment and he could not afford his high blood pressure medicine. He was proud and did not want to ask for charity from the doctor and he did not qualify for Medicaid. The night I saw him he had severe chest pain – a heart attack that required emergency angioplasty and an expensive hospital stay. Who will ultimately pay? He will likely be billed and may need to file for bankruptcy if he does not pay in a timely fashion. Ultimately, I know he has paid the stiffest price – his health.

In considering how to construct SB 6693 I ask you to answer one fundamental question – why is having health insurance tied to an individual's employment? As you likely know, the history dates back to World War Two, but the effect in today's economy is uniformly negative. Patients suffer on many levels: they spend hours choosing between benefits packages, are always at risk of losing access to their doctor if their benefit plan changes, they lose insurance between jobs or cannot afford expensive co-pays at firms that offer less generous benefits. Employers are faced with unpredictable and always rising health costs – a business' worst enemy. They have to take considerable time and expense managing health benefits – not their core mission. Health care providers spend a significant part of each day dealing with paperwork that exists solely because of fragmented insurance system. The overall effect is a fragmented system, with limited access for many and a heavy toll on the Connecticut economy.

This problem is not limited to Sikorsky and Wal-Mart – two well-publicized extremes of the debate. The problem is systematic. We have attempted to patch the system for years – expanding Medicaid or adding rules and mandates for employers – but the pressures of new medical technology and an aging population are too much for mere patches. As a state we must have one insurance plan that guarantees all patients access to high-quality, evidence-based medical care. This is the only way to end the plague of uninsurance and will improve quality, help employers and will control our overall costs.

Luckily for the legislature, excellent policy research on this question has been done specific to Connecticut. The Universal Healthcare Foundation released two independently researched reports in 2006 that should serve as roadmaps. "Mapping Health Spending and Insurance Coverage in Connecticut" reports two important findings[1]:

1. Health care spending in Connecticut reached almost **$15 billion in 2005**.
2. Covering every currently uninsured Connecticut resident would cost less than the state now pays for the uninsured in direct and indirect costs.

The study estimates that covering all uninsured in Connecticut will cost $343 million, but will allow for savings of between $652 million and $1.3 billion per year -- indirect costs of the uninsured (**Figure 1** below).

[1] http://www.universalhealthct.org/ accessed on March 3rd, 2006.

The second report, "Health Coverage in Connecticut: Three Routes to Reform,"[2] describes three possible health reforms that I am sure the committee is considering. I would urge you to write SB6693 to mirror proposal #1 (See table 1 below)

Unfortunately, I am not able to testify in person today, but I would happily answer any questions or concerns.

Respectfully,

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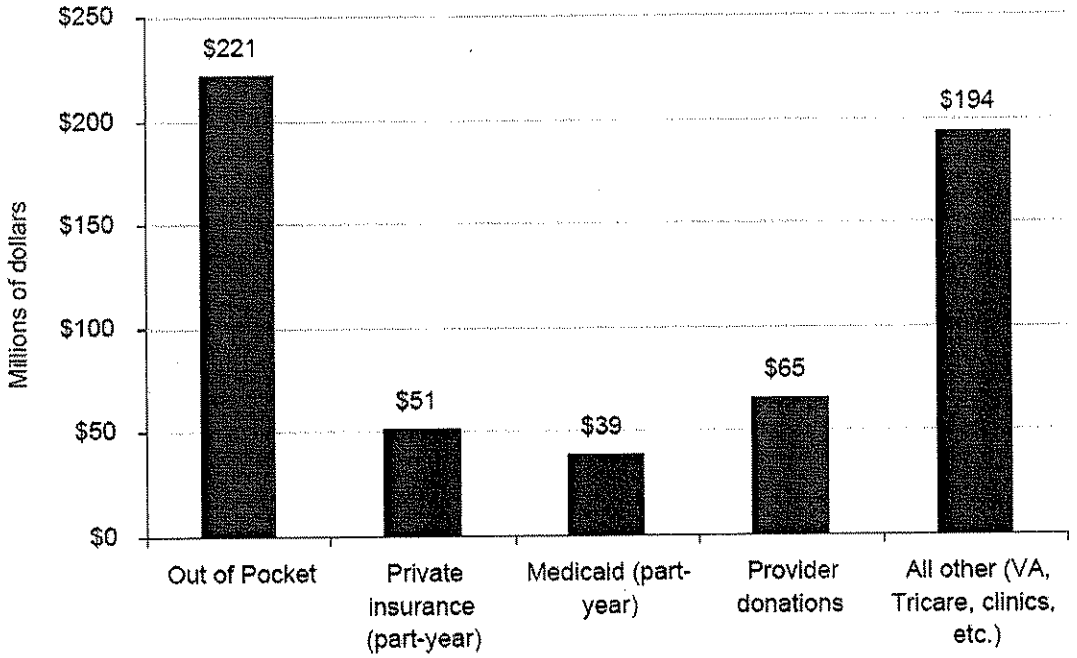
Figure 1.

Spending on Connecticut Uninsured: Direct Costs, 2005 (Total=$572 million)



[2] http://www.universalhealthct.org/admin/uploads/1057745758a8a7e7ef7.89093563.pdf

Table 1. Universal Health Foundation of Connecticut's First Approach for Universal Coverage

<u>One Health Plan Serving All Residents</u>

• A single health plan would cover all state residents under age 65. Employers and individuals could purchase additional coverage. Contributions by employers and employees, current General Fund outlays, and federal Medicaid matching funds would pay for coverage.

• Providing everyone with the same plan and purchasing services directly from health care providers would lower administrative and health care expenses. Although all uninsured residents would gain coverage, total spending would drop 5 percent. Health costs per insured person would fall by 16 percent.

• Employers as a whole would see their annual health care costs fall by 11 percent, from $5.4 billion to $4.81 billion. However, employers that do not insure their workers today would begin paying for coverage. Those that now offer employee health coverage would experience a 26 percent drop in health costs.

• With less spending on health care and health insurance, Connecticut households would have an extra $1.03 billion a year to spend for other goods and services. Household health care and health insurance costs would fall by $750 million a year. Because employers would pay less for health insurance, they would increase wages, providing workers an extra $280 million in after-tax income.

• While state spending on medical coverage for low-income residents would remain at current levels, federal Medicaid payments would rise by $840 million.

• The state health plan would become the primary insurer for 92 percent of non-elderly Medicaid beneficiaries, eliminating most Medicaid reimbursement shortfalls for health care providers.

• Primarily because of employers' reduced labor costs, this option would add 6,000 to 11,000 new jobs to the state's economy. State GDP would rise by between $660 million and $830 million a year.

Figure 2.

TABLE 1. PROJECTED IMPACT OF THREE POLICY ALTERNATIVES ON CONNECTICUT RESIDENTS UNDER AGE 65

	Status Quo	1. One Health Plan Serving All Residents	2. Health Insurance Purchasing Pool With Competing Private Plans	3. Expanded Health Coverage Safety Net
Percentage of state residents without coverage	10.9 %	0 %	0 %	3.6 %
Total spending on health care and insurance	$10.53 B	$10.03 B	$10.56 B	$10.66 B
Health spending per insured resident	$4,121	$3,447	$3,629	$3,669
Employer health insurance costs*	$5.4 B	$4.81 B	$5.23 B	$5.34 B
Household spending on health care and health insurance*	$4.06 B	$3.31 B	$3.51 B	$4.07 B
State General Funding spending**	$600 M	$600 M	$920 M	$645 M
Federal matching funds for Medicaid and SCHIP	$470 M	$1.31 B	$1.0 B	$605 M
Post-tax wages and earnings	$33.04 B	$33.32 B	$33.13 B	$33.07 B
Number of jobs	2.155 M	2.161 to 2.166 M	2.157 to 2.161 M	2.157 M
State GDP	$204.16 B	$204.81 to $204.98 B	$204.48 to $204.62 B	$204.32 B
Total personal income	$165.97 B	$166.70 to $166.73 B	$166.29 to $166.31 B	$166.1 B

Source: Gruber Microsimulation Model, Calculations by ESRI, March 2006; Urban Institute, REMI Microsimulation Model, April 2006.
*The estimates for Approaches One and Two include both voluntary and required payments.
**These costs include SAGA, SCHIP, and Medicaid expenditures for the non-elderly as well as for Approach Two, state funding to lower the amount of required employer contributions.